

In today's competitive market, a company must improve productivity, enhance customer service and generate revenues in order to grow—even survive. Global deregulation is driving companies to adopt technologies that facilitate and enhance customer acquisition and retention, while at the same time, reduce the cost of doing business.

MDSI™ designs and supplies mobile workforce management applications, wireless network connectivity software, and mobile devices that improve the efficiency of companies with mobile workers. We offer more solutions to more kinds of corporations than anyone else in the workforce management industry. With our enterprise-wide solutions, organizations increase productivity, lower operating costs, and improve customer service. At MDSI our goal is to ensure that our Advantex™ products and services help our customers meet and exceed their business objectives today, and into the future.

2

FINANCIAL SUMMARY

3

LETTER TO OUR SHAREHOLDERS

7

ADVANTEX-UTILITY

9

ADVANTEX-TELECOMMUNICATIONS

11

ADVANTEX-TAXI

12

CONSOLIDATED FINANCIAL STATEMENTS

13

CONSOLIDATED BALANCE SHEETS

14

CONSOLIDATED STATEMENTS OF OPERATIONS

15

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

16

CONSOLIDATED STATEMENTS OF CASH FLOWS

17

CORPORATE DIRECTORY

ANNUAL GENERAL MEETING

The annual general meeting of shareholders will be held 10.00 am, Thursday May 8, 1997 at the Four Seasons Hotel in Vancouver, B.C.

The Company's performance in fiscal 1996 reflects the expertise and commitment to excellence provided to all MDSI customers and business partners. Demand for our products was fueled by upheavals in the previously regulated telecommunications and utilities industries and by our increasing market share in new and existing markets.

Year in Review

1st Quarter

- ▼ Newly acquired Service Systems International, Ltd. was integrated into the MDSI Advantex product offering as Advantex-Field Service 400.
- ▼ Advantex-Utility adopted by new customers including Northwest Natural Gas, San Diego Gas & Electric, and Consumers Gas of Ontario.
- ▼ The Company entered into a re-marketing agreement with IBM to provide IBM customers in the U.S. with software solutions for the field service, repair, and dispatch markets.

2nd Quarter

- ▼ The Company held its first annual user-group conference in Vancouver, Canada and released the latest version of Advantex-Utility.
- ▼ City Public Service of San Antonio, Texas chose MDSI as the prime contractor to provide an integrated wireless communications and workforce management system for its field service and dispatch operations.
- ▼ The acquisition of Spectronics Micro Systems Limited of Cambridge, England expanded the Company's product line to include Advantex-Taxi, addressing the land transport market.

3rd Quarter

- ▼ The Company's new product offering, Advantex-Telecommunications, was successfully delivered at Lufkin-Conroe Telephone Exchange and selected for a pilot system by Polish Telecom in Warsaw.
- ▼ One of North America's largest utilities, Pacific Gas & Electric of San Francisco, California, awarded MDSI a US\$13 million contract for a state of the art wireless workforce management solution.
- ▼ The successful initiation of the Company's stock purchase plan resulted in 50% employee participation.

4th Quarter

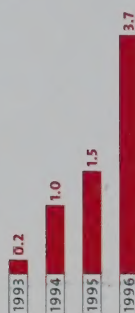
- ▼ The Company completed its public share offering in the U.S., raising approximately CDN \$30 million and commencing trading of common shares on The Nasdaq Stock Market.
- ▼ Advantex-Taxi was selected by new customer Copenhagen Taxi to provide a computerized taxi dispatch and management system, and CityCab of Singapore awarded a contract for additional installations.
- ▼ 1996 concluded on a high note when AT&T Wireless Services awarded the largest contract in MDSI's history for Advantex-Telecommunications. This win represents early acceptance of the product and the intensity of this market.

FINANCIAL SUMMARY

Expressed in Canadian dollars

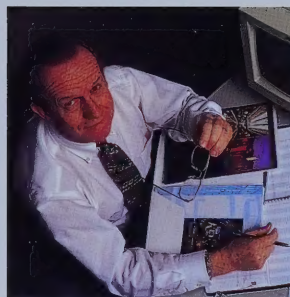
Years ended December 31	1996	1995	1994
Revenue	\$ 45,142,570	\$ 9,313,215	\$ 5,813,912
Gross Profit	16,821,683	6,302,851	3,991,464
Operating Income Before Expenses of Acquisitions	3,651,596	1,547,251	1,008,840
Net Income (loss) for the Year			
United States GAAP	(6,014,129)	(1,532,761)	549,609
Canadian GAAP	1,900,420	(844,387)	549,609
Earnings (loss) per Common Share			
United States GAAP (primary)	\$ (1.23)	\$ (0.30)	\$ 0.11
Canadian GAAP (basic)	\$ 0.46	\$ (0.52)	\$ 0.55
Working Capital	\$ 21,379,879	\$ (1,751,669)	\$ 2,152,754
Total Assets	\$ 45,571,758	\$ 8,684,526	\$ 3,060,948
Total Employees	215	107	36

Operating Income
\$ millions
adjusted for December year-end



Annual Revenue
\$ millions
adjusted for December year-end





From our start in early 1993, MDSI's vision has been to become the world's leading supplier of mobile workforce management solutions to all major vertical markets. Everything we do is geared toward achieving this goal.

Nineteen ninety-six was a year of significant growth for MDSI, as our gross revenues increased from \$9.3 million in 1995 to \$45.1 million and our operating income (before expense of acquisitions) increased from \$1.5 million to \$3.7 million. More importantly, in 1996 we put in place the basic building blocks necessary to position us as a world leader in our field. After four years of operations, the Company has become a major provider of mobile workforce management systems not only to the utility, telecom, cable T.V., and field service sectors, but also to transportation companies such as courier, taxi, and auto-club operators.

Between 1993 and 1995, we focused solely on the North American utility industry. As a result, we are now well established as the dominant supplier in this field, with a much larger installed base of major utilities (both electric and gas) than any of our competitors. This core business grew significantly for us in 1996, with major installations at Pacific Gas and Electric, San Diego Gas and Electric, and other utility companies. Many other installations are underway and we expect strong growth in 1997 and after for the utility industry, not only in North America but also worldwide.

We made a major breakthrough internationally in 1995 with our installation of the British Gas system serving 7,000 field service engineers on a nationwide U.K. network, and we have been working aggressively in Europe since early 1996 to sell our products to other European utilities. While no additional utility contracts were signed overseas in 1996, we are working on a number of prospects which we expect to materialize in 1997.

In early 1996, we launched a major effort in the telecom market with a software application developed in-house that is tailored to address the specific operational requirements of telecom operators. Our timing appears to have been excellent.

By early July, we had been selected by Lufkin-Conroe Telephone Exchange (LCTX) in Texas to provide them with a system to manage their field service operations. We had the system installed and up-and-running in three months, providing LCTX with important operational cost-savings and positioning them to provide a much enhanced level of service to their customers.

Before the year was out, we had augmented that initial sale and installation with a contract to supply AT&T Wireless Services with a nationwide system for their field service operations in the United States and we were working on a large group of telecom prospects in the United States, Canada, South America, Asia, and Europe. The telecom sector is growing very rapidly for us, will be a significant part of our 1997 revenues, and is expected to be a very large part of our business worldwide in years to come.

We are also diversifying our operations into other vertical markets where we can use our corporate strengths in software development and our experience and expertise in designing and installing wireless mobile communication systems. In June of 1996, we completed a deal whereby MDSI assumed 100% ownership of Spectronics Micro Systems (SMS) of Cambridge, England. SMS is a major supplier of mobile data systems to taxi operators, auto clubs, and couriers worldwide.

The strategic match between MDSI and SMS is very beneficial, as SMS's operations leverage on what we are doing already in North America, except that their focus has been on the land transportation sector while MDSI's North American operations in Vancouver and Kansas City have focused on field service operations. MDSI U.K., as we have named our new land transport division, has a customer base that includes firms such as the British Automobile Association (a nation-wide U.K. system), DHL Couriers (systems in 11 countries presently and scheduled to increase significantly in 1997), and CityCab in Singapore (4,300 cabs operating on a state-of-the-art dispatching system).

In 1997, MDSI U.K. has secured contracts to—amongst other installations—provide major Global Positioning System (GPS)-based dispatching systems to Radio Taxi of London (one of London's largest black cab operators) and Copenhagen Taxi (the Danish capital's largest taxi operator). The acquisition of SMS not only provides us with one of the world's major suppliers of wireless data systems for the transportation sector, it also provides us with a highly competent and effective staff, both on the technical and commercial side, in Europe. Having a large operational base in the European Union will strengthen our competitive position in all vertical markets. Prior to being acquired by MDSI, SMS's marketing efforts had been focused on Europe, the Middle East, South East Asia, Australia and New Zealand.

To achieve our goal of becoming the premier supplier of mobile workforce management solutions around the world, we also realized from the start that we had to build an unparalleled competence in software development. The company allocates a large portion of its operating expenses to R&D, and in the field service market (utilities, telecom, and general field service) we have the reputation of having the most up-to-date, feature-rich, versatile, stable, and user-friendly applications available. In our four years of operations, R&D expenditure have ranged from 10-20% p.a. of our revenues. (This emphasis on R&D, intended to ensure that MDSI has, at all times, the best solutions available, will continue in 1997 and in future years.)

From the outset, MDSI also decided that to become the leader in this industry—and to remain the leader—we had to set the standard in both systems integration (putting systems in on-time and on-budget) and ongoing customer support. Due to the high degree of commitment and competence of MDSI's staff, I believe I can safely say that we have achieved an excellent record for delivering systems on time and on budget. Going forward, the emphasis on excellence in these areas will be as strong as ever. The Company's policy has always been that every customer has to be a satisfied customer, and that every customer must be a good reference!

Another major step for MDSI in 1996 was having our stock approved for quotation on The Nasdaq National Market. Union Bank of Switzerland (UBS Securities) and Unterberg Harris acted as underwriters for the offering of 1,725,000 shares sold at US \$14⁷/₈. Moving to Nasdaq was part of our larger corporate strategy to increase the visibility of the Company in the United States capital markets and to gain the currency of having MDSI stock trading on Nasdaq. The money raised through the offering is earmarked for an accelerated marketing push into overseas markets for products out of Vancouver, Kansas City, and Cambridge, as well as increased levels of R&D in all three locations. We will also continue to search for other software companies that have products and/or expertise in the wireless data communications business that complement what we already have in our Company. Telecommunications companies around the world are rapidly going wireless and MDSI aims to be the major provider of mobile workforce management solutions to these users everywhere. We have the technology and the personnel with the commitment to be the leader.

We entered 1997 with a record high backlog of orders. Our target for this year is to significantly add to our shareholder value by increasing the revenues and profitability of the Company to new heights. In closing, I want to thank all our shareholders for their continued support, and our employees for their dedication and commitment in building MDSI to where we are today.



Erik Dysthe

Chairman and Chief Executive Officer

Customers

Advantex Workforce Management Solutions for the World

This year, MDSI expanded its Advantex workforce management solutions from the utility marketplace into the telecommunications and land-transportation markets. MDSI is proud to highlight a few of our customers and the successes they have realized with Advantex.

A construction worker wearing a white hard hat and a high-visibility safety vest is working on a structure. The worker is positioned in the center-left of the frame, looking down at their work. The background consists of a dense network of bare, dark tree branches against a light sky. The overall image has a blueish-green tint. The word "Advantex" is overlaid in large, white, sans-serif capital letters across the middle of the image.

Advantex

MDSI has extensive experience providing workforce management solutions to the utility industry including customers like British Gas, Pacific Gas & Electric and Public Service Company of New Mexico. Advantex-Utility, our core product for the utility industry, offers sophisticated workforce and service order management capabilities.

Call takers schedule service appointments with the customer more efficiently with Advantex-Utility. Dispatchers monitor and manage resources in the field with real-time graphical status updates on both orders and field service representatives.

Using mobile computers and wireless network connectivity, field service representatives access any databases attached to the corporate LAN/WAN for additional information, such as customer billing history, order information or parts inventory. Advantex-Utility is a fully documented open systems client/server product designed to be modular and highly configurable.



UTILITY

San Diego Gas & Electric

Due to deregulation, the utility marketplace has become highly competitive, and customers will soon be able to choose their utility company. San Diego Gas & Electric (SDG&E) is a progressive, investor-owned electric and gas utility providing service to over 1.2 million customers in Southern California. Their service territory spans 4,100 miles, from Laguna Beach to the Mexican border.

Like most utility companies today, SDG&E faces the challenge of improving responsiveness to both customers and suppliers while simultaneously lowering operating costs. In their quest to provide the highest possible level of customer service,

SDG&E chose the Advantex-Utility mobile workforce management solution.

The MDSI system includes a customer appointment scheduling system that can coordinate appointments with only a two-hour time window, a workload distribution system for the dynamic and automatic reassignment of orders to field resources, a map-based dispatching module for visual representation of real-time order and technician status, and mobile software for pen-based computers that provide call ahead functions and the ability to print to a mobile printer.

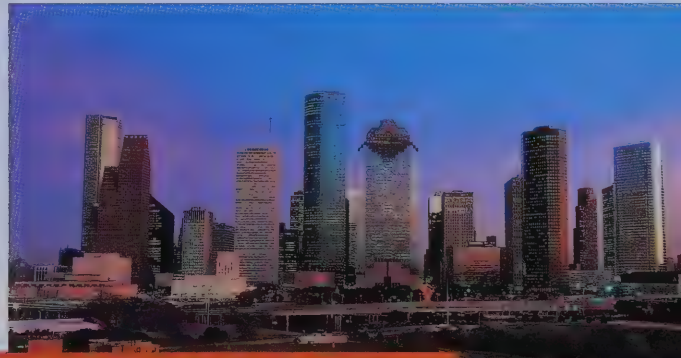
A photograph of a person wearing a white protective suit and hood, working on a utility pole. The person is using a tool to work on the wires. The background is a solid dark color. The word "Advantex" is overlaid in large white text across the middle of the image.

Advantex

MDSI is quickly earning a reputation for supplying state-of-the-art mobile workforce management solutions to some of the world's largest telecommunications companies. Our Advantex-Telecommunications system helps companies enhance performance and offers them innovative means of servicing the customer.

Advantex won early acceptance during 1996 when MDSI was selected by Lufkin-Conroe Telephone Exchange, Polish Telecom, AT&T and more recently, Tele Danmark. Like Advantex-Utility, it provides complete workforce and order management capabilities and is a fully documented open systems client/server product.

Advantex-Telecommunications incorporates added enterprise applications such as trouble ticketing and telephone line testing to form a complete 611 trouble system. Additional optional modules include Least Cost Routing: technicians spend the maximum amount of time working on work orders, not driving to them.



TELECOMMUNICATIONS

Lufkin-Conroe Telephone Exchange

Today's telecommunications companies face the challenge of providing superior customer service in a highly competitive environment where new markets and new services are offered every day. Lufkin-Conroe (LCTX) provides telephone and ancillary services to the north-western suburbs of Houston and the Lufkin area of eastern Texas.

LCTX uses the MDSI Advantex workforce management system for service and trouble orders and remote line testing. They have benefited from the system by reducing their dispatch centers by 50%,

enhancing their customer service, and increasing the efficiency of their outside technicians.

By using laptop computers and wireless technology, Advantex-Telecommunications enables outside service technicians to receive and complete work orders, retrieve additional line equipment information, and obtain directions—all via access to the corporate databases.



Advantex

Advantex-Taxi is an automated taxi management system designed for taxi companies ranging in size and scope. It quickly collects customer details, accommodates special requests, and then automatically identifies the most appropriate taxi.

Advantex-Taxi selects vehicles based on zones or closest car information using a variety of technologies including Global Positioning System (GPS). Once a driver accepts a request, job information is transmitted via a wireless network to the mobile computer where the driver updates the application with status indicators (e.g., passengers on board, soon to clear, passenger disembark).

When the taxi reaches the drop-off location, the payment process begins. Advantex-Taxi interfaces to card swipe terminals, smart card readers, and printers which allow the system to handle many different methods of payment, and offers improved means of servicing the customer.



TAXI

CityCab Pte of Singapore

CityCab Pte. of Singapore is one of the world's largest taxi organizations. In November of 1995, they installed the MDSI Advantex-Taxi GPS-based automated taxi dispatch and management system. By the end of 1996, CityCab had automated their entire fleet and increased the total number of taxi installations from 2800 to 4200.

Since implementing Advantex-Taxi, CityCab has received overwhelming customer support for the system. Using MDSI's system, CityCab's service standards have dramatically improved and job turnover has increased. Due to faster, more accurate call

taking and communications, CityCab's customers have, on average, only two minutes to wait for their taxi confirmation.

CityCab has also taken the lead in providing the greatest taxi utilization in Singapore and generating the lowest non-productive mileage from its fleet. Simply put, CityCab can handle more jobs with less cost. CityCab's Advantex-Taxi system automatically compiles complete records of vehicles, drivers, jobs, customers, and accounts. Manager have real-time access to this vital data which allows them to plan resources more productively.

MDSI changed its year-end to December 31 from June 30 effective December 31, 1995. Accordingly, 1996 is the first full fiscal year to reflect this change. The results of operations for 1996 and the 1996 and 1995 balance sheets have been extracted from the Company's audited financial statements. The comparative results for the 1995 and 1994 periods have been prepared by management from the books and records of the Company.

Readers are encouraged to review the complete audited financial statements, the Auditor's Report thereon and Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Form 10-K as filed with the United States Securities and Exchange Commission. Readers wishing to review the equivalent documents presented in accordance with Canadian generally accepted accounting principles are encouraged to review the Company's Annual Statutory Report. Copies of these documents may be obtained by contacting Investor Relations at the Company's head office.

The differences between Canadian and United States generally accepted accounting principles as these apply to the Company are to be found in Note 15 to the statements prepared in accordance with Canadian generally accepted accounting principles. The statements of operations herein summarizes the impact of these differences on earnings and earnings per share. Generally, acquired research and development must be written off under United States generally accepted accounting principles whereas Canadian generally accepted accounting principles require capitalization and amortization over the estimated useful life of the intangible asset. The basis for calculation of earnings per share under the two regimes are precisely defined and, as is the case here, can produce substantially differing results.

AUDITORS' REPORT

To the Board of Directors and shareholders of MDSI Mobile Data Solutions Inc.:

We have audited, in accordance with generally accepted auditing standards, the consolidated balance sheets of MDSI Mobile Data Solutions Inc. as of December 31, 1996 and 1995 and the consolidated statements of operations, stockholders' equity and cash flows for the year ended December 31, 1996

and in our reports dated February 21, 1997, we expressed an audit opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying financial schedules is fairly stated in all material respects in relation to the consolidated financial statements from which they have been derived.

Deloitte & Touche

Chartered Accountants

Vancouver, British Columbia

February 21, 1997

CONSOLIDATED BALANCE SHEETS

Expressed in Canadian dollars

*Prepared in accordance
with United States
generally accepted
accounting principles.*

December 31	1996	1995
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 20,207,019	\$ 1,921,799
Accounts receivable, net		
Trade	15,264,175	3,732,457
Unbilled	2,811,561	200,152
Work in progress	1,515,099	—
Prepaid expenses	148,597	157,074
Deferred income taxes	149,767	—
	40,096,218	6,011,482
Capital Assets, Net	1,958,758	1,158,914
Intangible Assets, Net	3,516,782	439,748
Deferred Income Taxes	—	1,074,382
Total Assets	<u>\$ 45,571,758</u>	<u>\$ 8,684,526</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 10,704,035	\$ 2,364,590
Accrued liabilities	1,167,952	1,595,049
Deferred revenue	5,970,161	2,382,660
Notes payable	428,424	—
Current portion of long-term debt	391,000	1,243,200
Current obligations under capital leases	54,767	49,183
Deferred income taxes	—	128,469
	18,716,339	7,763,151
Long-Term Debt	—	291,000
Obligations Under Capital Leases	19,710	71,813
Total Liabilities	<u>18,736,049</u>	<u>8,125,964</u>
Stockholders' Equity		
Common stock	30,681,176	2,315,000
Special warrants	3,925,100	—
Treasury stock	(122,743)	(122,743)
Retained earnings (deficit)	(7,647,824)	(1,633,695)
	26,835,709	558,562
Total Liabilities and Stockholders' Equity	<u>\$ 45,571,758</u>	<u>\$ 8,684,526</u>

CONSOLIDATED STATEMENTS OF OPERATIONS

Expressed in Canadian dollars

Prepared in accordance
with United States
generally accepted
accounting principles.

Years ended December 31	1996	1995	1994
		(unaudited)	(unaudited)
Revenue			
Software and services	\$ 18,387,600	\$ 8,584,112	\$ 5,135,910
Terminals and infrastructure	8,708,078	—	—
Third party products and services	15,227,463	—	—
Maintenance and support	2,819,429	729,103	678,002
	45,142,570	9,313,215	5,813,912
Direct Costs	28,320,887	3,010,364	1,822,448
Gross Profit	16,821,683	6,302,851	3,991,464
Operating Expenses			
Research and development	4,356,884	1,963,487	1,250,879
Sales and marketing	5,688,455	1,840,840	1,087,371
General and administrative	3,124,748	951,273	644,374
Amortization of intangible assets	331,411	—	—
Acquired research and development	8,523,363	—	—
Restructuring costs	—	2,017,819	—
Reorganization costs	—	688,374	—
	22,024,861	7,461,793	2,982,624
Operating Income (loss)	(5,203,178)	(1,158,942)	1,008,840
Other Income	113,664	151,167	21,042
Income (loss) Before Provision for Income Taxes	(5,089,514)	(1,007,775)	1,029,882
Provision for Income Taxes	(924,615)	(524,986)	(480,273)
Net Income (loss) for the Year	\$ (6,014,129)	\$ (1,532,761)	\$ 549,609
Net Income (loss) Under United States GAAP	\$ (6,014,129)	\$ (1,532,761)	\$ 549,609
Acquired research and development	8,523,363	—	—
Amortization of intangible assets	(608,814)	—	—
Reorganization costs	—	688,374	—
Net Income (loss) Under Canadian GAAP	\$ 1,900,420	\$ (844,387)	\$ 549,609
Earnings (loss) per Common Share			
United States GAAP (Primary)	\$ (1.23)	\$ (0.30)	\$ 0.11
Canadian GAAP (Basic)	\$ 0.46	\$ (0.52)	\$ 0.55
Shares Used In Computing per Share Amounts			
United States GAAP (Primary)	4,855,479	5,116,527	5,116,527
Canadian GAAP (Basic)	4,158,991	1,609,080	1,000,000

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Expressed in Canadian dollars

Prepared in accordance
with United States
generally accepted
accounting principles.

	Common stock (1)		Special	Treasury	Retained	
	Shares	Amount	Warrants	Stock	earnings (deficit)	Total
Balance, December 31, 1993 (2)	1,499,900	\$ 14,999	\$ —	\$ —	\$ (650,543)	\$ (635,544)
Issuance of common stock	100	1	—	—	—	1
Net income for the year	—	—	—	—	549,609	549,609
Balance, December 31, 1994 (2)	1,500,000	15,000	—	—	(100,934)	(85,934)
Changes to common stock arising from Plan of Arrangement						
Stock issued to MDSI Canada shareholders	1,260,000	—	—	—	—	—
Elimination of common stock held by MDSI Canada shareholders	(600,000)	—	—	—	—	—
Issued to acquire TelSoft	1,828,387	2,300,000	—	—	—	2,300,000
Treasury stock purchased on TelSoft acquisition	—	—	—	(122,743)	—	(122,743)
Net loss for the year	—	—	—	—	(1,532,761)	(1,532,761)
Balance, December 31, 1995	3,988,387	2,315,000	—	(122,743)	(1,633,695)	558,562
Issued on exercise of stock options	19,890	210,117	—	—	—	210,117
Issue of special warrants	—	—	3,925,100	—	—	3,925,100
Issue on conversion of debenture	144,754	797,000	—	—	—	797,000
Issued on conversion of notes payable	55,263	882,753	—	—	—	882,753
Issued on public offering	1,495,000	26,476,306	—	—	—	26,476,306
Net loss for the year	—	—	—	—	(6,014,129)	(6,014,129)
Balance, December 31, 1996	<u>5,703,294</u>	<u>\$30,681,176</u>	<u>\$ 3,925,100</u>	<u>\$ (122,743)</u>	<u>\$ (7,647,824)</u>	<u>\$26,835,709</u>

Footnote (1): Includes preferred shares converted on December 15, 1995, as if converted on December 31, 1993.

Footnote (2): Information as at December 31, 1994 and 1993, and for the year ended December 31, 1994 is unaudited.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Expressed in Canadian dollars

Prepared in accordance
with United States
generally accepted
accounting principles.

Years ended December 31	1996	1995	1994
		(unaudited)	(unaudited)
Cash Flows from Operating Activities			
Net income (loss) for the year	\$ (6,014,129)	\$ (1,532,761)	\$ 549,609
Items not affecting cash			
Depreciation and amortization	1,031,952	322,505	97,072
Deferred income taxes	924,615	92,032	417,634
Acquired research and development	8,523,363	—	—
Changes in non-cash operating working capital items	(6,141,234)	3,342,999	(815,004)
Net cash provided by (used in) operating activities	(1,675,433)	2,224,775	249,311
Cash Flows from Financing Activities			
Repayment of capital leases	(46,519)	—	—
Repayment of long-term debt	(346,200)	(351,725)	321,649
Repayment of loan notes	(8,214,874)	—	—
Proceeds from special warrants	3,925,100	—	—
Issuance of capital stock	26,686,423	—	1
Net cash provided by (used in) financing activities	22,003,930	(351,725)	321,650
Cash Flows from Investing Activities			
Acquisition of Spectronics Micro Systems Ltd.	(1,089,973)	—	—
Acquisition of capital assets	(953,304)	(574,110)	(431,272)
Net cash used in investing activities	(2,043,277)	(574,110)	(431,272)
Net Cash Inflow	18,285,220	1,298,940	139,689
Cash and Cash Equivalents, Beginning of Year	1,921,799	622,859	483,170
Cash and Cash Equivalents, End of Year	\$ 20,207,019	\$ 1,921,799	\$ 622,859

Certain statements in this Annual Report constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve risks, uncertainties and other factors which may cause the actual results or performance of the Company to be materially different from any future results or performance implied by such forward-looking statements. Such factors include, among others, risks associated with lengthy sales cycles; uncertainties relating to the timing and receipt of significant orders; dependence on large contracts; concentration of customers; and international operations. Forward-looking statements can be identified by, among other things, the use of forward-looking terminology such as "believes," "expects," or "anticipates," or by discussions of strategy or intentions.

DIRECTORS

Erik Dysthe

Chairman and Chief Executive Officer, MDSI

³ Ken Miller

President, MDSI

^{1,2,3} Gerald F. Chew

Managing Director, The Cairn Group

^{2,3} Robert C. Harris, Jr.

Managing Director, Unterberg Harris

^{1,2} Terrence P. McGarty

President, The Telmarc Group

^{1,2} Bruno Ducharme

*President and Chief Executive Officer,
Telesystem International Wireless Services Inc.*

² Marc Rochefort

*Partner, Desjardins Ducharme Stein Monast,
Barristers & Solicitors*

¹ Members of the Audit Committee

² Members of the Corporate Governance Committee

³ Members of the Compensation Committee

CORPORATE OFFICERS

Erik Dysthe

Chairman and Chief Executive Officer

Ken Miller

President

M. Greg Beniston

Vice President, Legal and Corporate Secretary

R. Paul Blanchet

*Vice President and General Manager,
Kansas Operations*

Robert Campbell

Vice President-Sales, Telecom/Cable

James R. Dalbey

Vice President-Sales, Utilities

Brent W. James

*Vice President,
Marketing and Business Development*

Peter S.H. Kam

Vice President and Chief Scientist

Verne Pecho

*Vice President, Finance and Administration
and Chief Financial Officer*

Peter Hill Rankin

Senior Vice President, Operations

Robin Fay

Managing Director, UK Operations

AUDITORS

Deloitte & Touche, Chartered Accountants;
VANCOUVER, CANADA

BANKERS

Bank of Montreal
VANCOUVER, CANADA

LEGAL COUNSEL

Bogle & Gates, P.L.L.C.
SEATTLE, USA
Reid & Company, Barristers & Solicitors;
VANCOUVER, CANADA

TRANSFER AGENTS AND REGISTRARS

Montreal Trust Company of Canada
VANCOUVER / TORONTO, CANADA

The Bank of Nova Scotia Trust Company of New York
NEW YORK, USA

COMMON STOCK

MDSI common stock is traded on the The Nasdaq
Stock Market in the United States under the symbol
MDSIF and The Toronto Stock Exchange and Montreal
Exchange in Canada under the symbol MMD.

INVESTOR RELATIONS

For additional copies of this report, for the Canadian
Annual Statutory Report, for the Annual Report on
Form 10-K as filed with the United States Securities
and Exchange Commission, for Quarterly Reports of
the Company or for further information contact:

Investor Relations

MDSI Mobile Data Solutions Inc.

10551 Shellbridge Way
Suite 135
Richmond, BC
Canada V6X 2W9

Shareholders' Line

1 800 665 4789

Telephone

604 270 9939

Facsimile

604 270 1310

Web site

www.mdsi-advantex.com

OFFICES

10551 Shellbridge Way
Suite 135
Richmond, BC
Canada V6X 2W9
Corporate Office

8717 West 110th Street
Suite 100
Overland Park, KS
USA 66210

Bar Hill Business Park
Saxon Way
Bar Hill, Cambridge
United Kingdom CB3 8SL



10551 Shellbridge Way
Suite 135
Richmond, BC
Canada V6X 2W9

Telephone
604 270 9939
Facsimile
604 270 1310

Shareholders' Line
1 800 665 4789

©1997, MDSI Mobile Data Solutions Inc. All rights reserved. MDSI and Advantex are trademarks of MDSI Mobile Data Solutions Inc. All other trademarks are the property of their respective owners.